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FOLLOW-UP TO THE REPORT OF THE BOARD OF AUDITORS FOR 1998-1999: STATUS OF IMPLEMENTATION OF RECOMMENDATIONS

Report of the Executive Director

1. Pursuant to decision 97/2 taken by the Executive Board at the first regular session of 1997, the Executive Director wishes to bring to the attention of the Executive Board a status report on follow-up measures to the recommendations contained in the report of the United Nations Board of Auditors on the United Nations Population Fund for the biennium ended 31 December 1999 (A/55/5/Add.7). The Auditors' review concerns the efficiency of financial procedures, internal financial controls and, in general, the management of UNFPA.

2. The annex of this paper updates the Report of the Board of Auditors on implementation of its recommendations, submitted to the Fifty-six Session of the General Assembly (A/56/132). The Executive Director has also addressed several of these issues in the annual report on internal audit and oversight activities (see DP/FPA/2001/8), submitted to the Executive Board at the annual session in June 2001.

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Recommendation

3. The Executive Board may wish to take note of the progress report provided by the Executive Director on the measures that have been taken or are planned in implementing the recommendations of the Board of Auditors for the biennium 1998-1999, as contained in the annex to document DP/FPA/2002/2

Annex

Recommendations made by the Board of Auditors in their report on the accounts of the United Nations Population Fund for the financial period ended 31 December 1999: Supplementary information

1. The information contained in the present annex is intended to supplement that given in paragraph 18(a-g) of document A/56/132 and is given in the order of the subparagraphs in that document; please note that paragraph references therein are to document A/55/5/Add.7.

Paragraph 11(f)

2. Recommendation. UNFPA should strengthen the management and monitoring of its projects at the design phase by incorporating baseline information, qualitative and quantitative performance indicators and an explanation of how the executing agency will collect performance data in the course of projects.

3. Comment of the Board of Auditors. UNFPA is in the process of developing programme and monitoring tools to aid country office staff in programme management. The Board of Auditors will continue to review this matter in future audits.

4. Update. In 2001, UNFPA conducted two regional workshops on results-based programme and office management that emphasized improved management practices, including the use of indicators. An additional workshop is scheduled for early 2002. To complement these workshops, UNFPA continues to develop monitoring and evaluation tools. The latest s t of tools included a results-based project work plan, revised project reports and a progr mme management plan. Since May 2001, an inter-divisional working group on the programming process guidelines has been working on a results-based revision of the current programme guidelines. UNFPA expects the new guidelines to be issued in 2002.

Paragraph 11(k)

5. Recommendation. UNFPA should make every effort to recover the overpayment of up to $1.8 million from the contractors once the final value of the work done has been verified.

6. Comment of the Board of Auditors. UNFPA is still in the process of verifying the amount of overpayment. Due process in disciplinary proceedings has been completed against all but one involved staff.

7. Update. The actual amount of overpayment is extremely difficult to quantify because of the number of structures involved and their widespread location. UNFPA has now concluded a contract with external experts to negotiate and resolve the outstanding issue of remedial work to the structures identified as incomplete or defective. The first phase of this consultancy is scheduled for completion in early 2002. Work completed in this phase should quantify UNFPA's final liability against the construction initiated under the relevant projects and provide a timetable for completion of remedial work. The second phase of this consultancy will validate that the necessary remedial work has been accomplished in a satisfactory manner to complete the structures concerned to a standard suitable for final handover to the Government. Recovery of overpayments remains outstanding pending the final quantification of losses and the receipt of legal advice concerning potential recourse from the contractors. Disciplinary proceedings in the pending case have now been completed.

Paragraph 17

8. Recommendation. UNFPA should ensure that the value of all non-expendable equipment is disclosed in the notes to the financial statements; and that it further encourages executing agencies to provide annual reports on non-expendable property held.

9. Comment of the Board of Auditors. UNFPA informed the Board of Auditors that it would review the best way for executing agencies to provide reports on non-expendable equipment. The Fund is also reviewing its own presentation of non-expendable equipment in the financial statements. The Board is of the opinion that UNFPA is accountable for non-expendable equipment and the disclosure thereof and encourages it to take steps to effectively discharge such responsibilities.

10. Update. UNFPA will disclose the value of all non-expendable equipment in a note to the financial statements for the biennium 2000-2001.

Paragraph 33

11. Recommendation. Given the fact that the advance for the UNFPA share of construction costs of common premises has remained outstanding for six years, UNFPA should take action to bring the matter to a conclusion.

12. Comment of the Board of Auditors. UNFPA is engaged in active negotiations with the partners concerned.

13. Update. UNFPA is committed to bringing the matter to a speedy conclusion and to pay its fair share. However, the participating agencies continue to disagree on the overall amount of costs to be apportioned; thus, negotiations are still ongoing.

Paragraph 9(a) of the annex

14. Recommendation. UNFPA should show the value of contributions in kind in a note to the financial statements.

15. Comment of the Board of Auditors. UNFPA intended to disclose the value of contributions in kind in a note to the financial statements for the 1998-1999 biennium but, due to complexities in data collecting, could not do so. The Board encourages UNFPA to disclose the information in the financial statements for the biennium 2000-2001.

16. Update. UNFPA is committed to disclose the value of contributions in kind in a note to the financial statements for the biennium 2000-2001.

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